

NOTICE OF SALE

PUBLIC AUCTION SALE OF A STATE OF HAWAII LEASE ON THE ISLAND OF HAWAII

The Department of Land and Natural Resources (DLNR), Land Division, Hawaii District Branch, will be conducting a public auction sale of one (1) lease for State lands at the following date and location:

Date & Time: September 30, 2005; 10:00 a.m.*

Place: West Lanai of the State Office Building
75 Aupuni Street, Hilo, Hawaii 96720

***Note:** The date, time and/or place of auction are subject to change by DLNR.

The lease to be auctioned covers the following parcels, all of which are located along Banyan Drive, Waiakea, District of South Hilo, Island and County of Hawaii:

Hotel Parcels*: Lots 5, 6, 7 and 8 of Ocean View Lots, Lot A and Remnant A-1 of Government Remnants and all of Land Court Application 1300 filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, as shown and described on Government Survey Map CFS. No. 23,963 dated January 26, 2005

Tax Map Key: (3) 2-1-5:13, 16, 17, 27, 32, & 46

Total Area: 6.35 acres, more or less

***Note:** The entire Naniloa Hotel property also includes a 2.098 acre parcel identified as Tax Map Key (3) 2-1-5:18), which is under a lease from the Eleanor Rose Benda Trust. This 2.098-acre parcel is **not** included in this auction, and the successful bidder will be responsible for acquiring the leasehold interest to that parcel from the existing lessee and the ground lessor.

Golf Course Parcels: Lot 1-A (Map 2) and Lots 2 and 3 (Map 1) of Land Court Application 1748; Lot 2 (Map 1), Lot 3-B (Map 2), Lot 6-A (Map 4) and Lot 8 (Map 2) of Land Court Application 1626; Lot 1-A (Map 4) of Land Court Application 428; all covered by Owner's Transfer Certificate of Title 106,776 to the State of Hawaii; and Land Commission Awards and Grants acquired by the Hawaii Redevelopment Agency or the State of Hawaii identified by Land Office Deeds as listed on Government Survey Registered Map HSS Plat 942-B dated January 26, 2005.

Tax Map Key: (3) 2-1-1:12

Total Area: Gross area of 63.775 acres, and a net area of 62.576 acres (after exclusions), more or less

The lease to be auctioned includes the following terms and conditions.

Permitted Uses:

Hotel Parcels: Hotel and hotel-related uses (including retail, restaurant, banquet, commercial office, and spa facilities), but excluding condominium or hotel-condominium uses).

Golf Course parcel: Golf course and golf course related uses (including clubhouse, restaurant and bar, cart barn and driving range) and other recreational and parking uses as may be permitted under the county zoning ordinances or land use permits obtained from the county; provided, however, that in the event the golf course parcel is withdrawn or deleted from the lease, any rights to use the golf course parcel to serve the hotel parcels shall terminate.

Other Uses: The Lessee, with the consent of DLNR, may sublease portions of the leased parcels for uses not permitted above (e.g., telecommunication antennas), provided that DLNR shall have the right to revise the rent based on the rent to be charged the sublessee.

<u>Lease Term:</u>	65 years
<u>Minimum Upset Annual Rent:</u>	\$147,000.00 per annum, payable semi-annually in advance
<u>Annual Percentage Rent:</u>	Two percent (2.0%) of annual total gross revenues, payable annually in arrears to the extent it exceeds the minimum base rent (refer to the draft lease document for details regarding calculation of annual percentage rent).
<u>Payment for Improvements:</u>	The successful bidder (if other than the current lessee) shall pay the current lessee at closing the sum of \$6,100,000.00 to acquire the leasehold improvements located on the property
<u>Minimum Improvements:</u>	The successful bidder will be required to make improvements to the hotel having a cost of not less than \$5,000,000.00 within the first three years of the lease.
<u>Performance Bond:</u>	Twice the amount of the annual rent.
<u>Encumbrances:</u>	Refer to draft lease document and the exhibits to the lease for encumbrances to the lease, including but not limited to existing easements and subleases.

APPLICATION AND BIDDING INFORMATION:

Any person wishing to bid and purchase the lease described above must first qualify to bid under the general qualifying criteria and the pre-qualifying criteria as described in the **Public Auction Bid Packet**. Eligibility to bid shall be determined by the information supplied by prospective bidders in the **Application and Qualification Questionnaire** form ("**Application**").

Applications by prospective bidders for the above listed items must be **received** by the DLNR no later than **2:00 p.m., on July 29, 2005** at any one of the District Land Offices listed below. Applicants shall submit one (1) original and five (5) copies of the Application (including copies of all required attachments). Any person who has failed to submit the completed Application and all required attachments (and required copies) by this date and time will not be allowed to Bid. Each applicant shall be informed in writing in advance of the auction date as to

the applicant's eligibility to bid at the public auction. See Public Auction Bid Packet for further instructions.

The Public Auction Bid Packet, which describes the auction sale procedures, bidder qualification requirements and other requirements, and contains the Application form, the draft lease document, and survey maps and descriptions of the subject property, may be obtained from any of the District Land Offices listed below or downloaded from the DLNR website at www.hawaii.gov/dlnr/land/publicnotices.

Oahu District Land Office, 1151 Punchbowl Street, Room 220, Honolulu, Oahu 96813

Hawaii District Land Office, 75 Aupuni Street, Room 204, Hilo, Hawaii 96720

Maui District Land Office, 54 S. High Street, Room 101, Wailuku, Maui 96793

Kauai District Land Office, 3060 Eiwa Street, Room 306, Lihue, Kauai 96766

Prospective bidders are responsible to thoroughly read and understand the covenants, terms, reservations and conditions contained in the Public Auction Bid Packet and draft lease document. Furthermore, prospective bidders are responsible to inspect the premises.

All bidders or authorized representatives must be present in person at the auction. The DLNR reserves the right to cancel, postpone, or change the date of the public auction, to reject any and all Applications, and to waive any defects when, in the opinion of the Chairperson of the Board of Land and Natural Resources, such action will be in the best interest of the State.

DONE at the office of the Department of Land and Natural Resources, State of Hawaii this 11th, day of March, 2005.

BOARD OF LAND AND NATURAL
RESOURCES

By: /s/
Peter T. Young, Chairperson

Honolulu Star-Bulletin, Hawaii Tribune Herald, West Hawaii Today
March 11, 2005